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OFFICE OF REPORTS AND ESTIMATES  
TRANSPORTATION GROUP

14 December 1948

Weekly Intelligence Summary No. 42

SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

Passenger records of Czechoslovak Airlines in Athens for the period 20-28 September 1948, include the names of 12 Israeli citizens who also appear on a list of 38 names that a Jerusalem source provided in September with the allegation that the assassins of Count Bernadotte were among the group. (Item No. 1, A)

The Polish Airline LOT probably will be forced to abandon plans for extending services to the Near East if Turkey and Egypt continue their opposition. (Item No. 2, B)

Turkish officials have informed the US that their country has categorically denied permission to Czechoslovak National Airline, CSA, for scheduled overflights of Turkey en route to Baghdad and Tehran. Turkey apparently found a convenient excuse in the fact that the proposed route would be operationally impossible in view of Iraq's abrogation of landing and transit rights for Czechoslovak aircraft. (Item No. 3, B)

The Israeli Government has announced its intention to reactivate Lydda airport as a traffic center for the Middle East and has formally declared the airport open to commercial airlines of all countries. (Item No. 4, C)

In spite of indications that Czechoslovakia may have changed its policy somewhat in respect to the military support of Israel, the Czechoslovak National Airline (CSA) is now reported to be carrying cargoes of munitions to Rome and Athens, where the materiel is transferred to C-46 aircraft for delivery to Palestine. If true, this report would be the first indication that the air traffic in munitions from Czechoslovakia has been handled by any means other than Israeli-controlled aircraft. (Item No. 5, B)

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The reports of participation by Great Circle Airfreighters (a US non-scheduled air carrier) in clandestine arms traffic from Rome and Athens to Israel are apparently not correct. (Item No. 6, C)

Legislation introduced in the Australian Parliament to organize a state-owned shipping line may, despite official assurances to the contrary, pave the way for nationalization of shipping. (Item No. 7, B)

The USSR has made a second demand upon the Austrian rail system, this time for 1,000 freight cars. Further demands may be expected due to the sizeable quantity of rolling stock remaining in Austria which has already been earmarked as Soviet war booty. Substantial additional removals will impose a critical strain on the Austrian transport economy. (Item No. 8, B)

The USSR is supplementing its open shipments of rubber and tin from Southeast Asia by movements under fictitious accounts in small foreign registry craft to transshipment points along the China coast or in the islands around Singapore. (Item No. 9, C)

The flow of chrome and other strategic materials through Portuguese East Africa will probably not be affected by the British sale of the Beira Railway to Portugal. Although neither the railway nor the port facilities are presently capable of handling available export tonnages, the projected improvements in the line and the port may be delayed until the purchase agreement is implemented next spring. (Item No. 10, B)

The establishment of separate ministries for railroads and communications in Yugoslavia reflects official concern over the critical condition of transport, particularly rail. (Item No. 11, C)

Action proposed by the US and UK to merge the rail systems of the Bizone and the French Zone in Germany has been deferred, due to French opposition. (Item No. 12, C)

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Resolution of the long-standing controversy between France and the Bizonal administration in Germany over the exchange of freight cars will probably be precipitated by the imminence of the January assembly of the Inter-Allied Reparations Administration (IARA). Unless negotiations are resumed before the assembly convenes, the French have threatened to raise the issue for debate, and a decision in France's favor is likely. (Item No. 13, B)

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## SECTION II. CURRENT DEVELOPMENTS

CIVIL AVIATION

1. Passenger records of Czechoslovak Airlines in Athens for the period 20-28 September 1948, include the names of 12 Israeli citizens who also appear on a list of 38 names that a Jerusalem source provided in September with the allegation that the assassins of Count Bernadotte were among the group.

An examination of the Jerusalem list reveals a surprising number of young men. Twenty individuals, or 54 percent of the entire list, are under 30 years of age; 11 are under 25 years. The 12 individuals who arrived in Athens, en route to Prague, are also largely in the lower age brackets, 9 being under 30, and 4 under 26. Nine of these individuals gave as the reason for their trip a visit to the Prague Fair. This is an obvious cover for other activities because the Prague Fair was reported to have been almost ready to close when the Israelis were traveling. The Israeli Government or Israeli business interests, moreover, would not be likely to send such young representatives to an industrial fair, nor would the Israeli Government have permitted groups of military age to leave the country on civil missions during war.

The foregoing considerations raise the question of the actual purpose of this movement. It is possible that the individuals were traveling under direct military orders. Large numbers of Israeli ground troops have been receiving military training in Czechoslovakia and are now reported returning to Palestine. It would have been possible in September, therefore, that units of the Israeli Army were flown to Prague in connection with this training. A training program for Israeli pilots also was being carried out in Czechoslovakia at this time. None of the 12 names, however, appears on a list from Prague, which included the Israelis engaged in this program early in November.

At the time the evacuation from Palestine was originally reported, the fear was expressed that Israeli terrorists in the group might commit acts of violence against United Nations statesmen in Paris. Another possibility is that these personnel were sent on special missions of a military nature. It has been reported that early in 1948 trained demolition experts from Palestine exploded mines in Italian harbors under ships which contained military cargoes consigned to Arab States, and carried out other sabotage.

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2. Poland has approached both Turkey and Egypt in an attempt to secure air rights which would permit the Polish Government airline (LOT) to extend its operations into the Near East. The Poles have presented Turkish authorities with the draft of a proposed bilateral civil air agreement. The Turkish Government, however, has assured the US Embassy that it will delay action indefinitely on the Warsaw proposal. Egyptian officials have given the Polish proposition an equally cool reception, not only because no Egyptian airline desires to establish air services to Poland, but also because of fear that scheduled Polish air services into Egypt might provide a ready means for Communist infiltration.

Although LOT probably will be forced to abandon plans for extending its services to the Near East if Turkey and Egypt continue their opposition, it will continue its efforts to expand operations throughout Western Europe. In addition to LOT's air network in the Satellite countries, it now operates to Stockholm, Copenhagen and Paris, and plans to implement its new trade agreement with Belgium, which includes air rights to Brussels, as soon as the requisite overflight privileges can be obtained from the UK or US Zone authorities (see TG Weekly No. 40).

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3. Turkish officials have informed the US that their country has categorically denied permission to Czechoslovak National Airline, CSA, for scheduled overflights of Turkey en route to Baghdad and Tehran. Turkey apparently found a convenient excuse in the fact that the proposed route would be operationally impossible in view of Iraq's abrogation of landing and transit rights for Czechoslovak aircraft. In connection with CSA's attempt to establish a direct route through Turkey to the Middle East, the unconfirmed reports that Bulgaria had agreed to permit CSA to operate beyond Sofia to Istanbul (see TG Summary No. 40) are still unsubstantiated. However, it now appears that such reports may have confused the rumored Sofia-Istanbul route rights with a projected series of special flights over this route for delivery of 30 Czechoslovak-manufactured single-seat, short-range sport aircraft recently purchased by Egypt.
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4. The Israeli Government has announced its intention to reactivate Lydda airport as a traffic center for the Middle East and has formally declared the airport open to commercial airlines of all countries. This airport, with four runways ranging from 5,600 to 6,220 feet in length, was used by the airlines of 18 countries while under British control. Its ground facilities, destroyed or removed during the Jewish-Arab fighting, apparently have been partially restored.

The re-establishment of Lydda as a designated international airport would relieve the current difficulties of major international airlines operating into and through the Near East. Attainment of this objective, however, will be delayed until ground facilities can meet safety requirements of the International Civil Aviation Organization. US scheduled airlines, furthermore, will not be permitted to resume this stop until operating facilities meet US (Civil Aeronautics Administration) standards. Traffic through Lydda will probably not attain the level reached under the British Mandate so long as the Arab States enforce the present ban on landings of aircraft en route to or from the State of Israel.

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5. In spite of indications that Czechoslovakia may have changed its policy somewhat in respect to the military support of Israel (see TC Weekly No. 41), the Czechoslovak National Airline (CSA) is now reported to be carrying cargoes of munitions to Rome and Athens where the materiel is transferred to C-46 aircraft for delivery to Palestine. If true, this report would be the first indication that the air traffic in munitions from Czechoslovakia has been handled by any means other than Israeli-controlled aircraft.

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6. The reports of participation by Great Circle Airfreighters (a US non-scheduled air carrier) in clandestine arms traffic from Rome and Athens to Israel are apparently not correct. Great Circle is operating aircraft in a heavy schedule of flights transporting DP's from Munich to Haifa via Rome and Athens, and is the only such carrier authorized by the US Military Government to engage in this profitable traffic from Germany. The company's operations, under a recently-concluded contract with the Jewish Agency for Palestine, have been under strict military surveillance in Germany to insure compliance with the UN truce provisions. It seems unlikely, therefore, that the company would jeopardize its present highly advantageous arrangements in Germany by participating in illicit traffic elsewhere in Europe.

Great Circle was implicated by crew members of a group of C-46 aircraft operating night schedules from Rome and Athens to Israel (see item 5). Lacking positive identification of these aircraft as Great Circle

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equipment, it is more reasonable to believe that they are the aircraft procured by Lineas Aereas de Panama (LAPSA) in the US early this year and later employed by the Israeli Government to ferry munitions and military supplies from Czechoslovakia. It would be logical for LAPSA-Israeli personnel to divert suspicion from their own illicit activities by involving Great Circle's name and legitimate operations over the same route.

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### SURFACE TRANSPORTATION

7. Legislation has been introduced in the Australian Parliament to implement Australian plans for a state-owned shipping line. The Australian Shipping Board, an organization similar to the US Maritime Commission, presently operates 53 vessels (31 Government-owned and 22 chartered from the UK), primarily in traffic which is unattractive to private interests. The proposed legislation would initiate more extensive Government operation and ownership. Although the Government has considered various proposals during the past few years for increased state participation in shipping, it has carefully avoided any suggestion that it plans complete nationalization. The Shipping Minister has given specific assurances that the present legislation is not directed toward that goal. Despite the expressed official intentions, however, the increased Government activity in the industry can damage private interests to the extent of paving the way for nationalization of Australian shipping by default.

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8. The USSR has made a second demand upon the Austrian rail system, this time for 1,000 freight cars. In the confusion of complying with the first Soviet requisition for 540 locomotives and 5,575 railway cars (see TG Weekly No. 86), the Austrians actually delivered an extra 425 cars. Despite this error, however, the USSR objected to the fact that 60 percent of the delivered cars were severely damaged, and served notice that Austria would be required to deliver an additional 280 cars in better condition. The Austrian transport system has not been dealt a mortal blow by its losses thus far, due to the large proportion of unserviceable stock delivered. Additional Soviet requests may be expected, however, since there remains a sizeable quantity of serviceable stock which has already been earmarked by Soviet occupation authorities as war booty. The early removal of this stock would impose a critical strain on the Austrian transport economy.

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9. To supplement its open shipments of rubber and tin from Southeast Asia, the USSR has organized unobtrusive movements in small coastal craft of Chinese and other foreign registries. Cargoes of these products, insignificant in themselves, are reportedly loaded at separated points near the source areas and consigned to fictitious accounts. The cargoes are actually transported to remote points along the China coast or in the small islands within a 500-mile radius of Singapore, where, free from surveillance, they are transhipped in Soviet-owned and chartered bottoms to Soviet-controlled ports. [redacted] 50X1
10. The flow of chrome and other strategic materials through Portuguese East Africa will probably not be affected by the British sale of the Beira Railway to Portugal. The status of the line is of interest to the US because of these resources. A joint British-Portuguese commission has been established to coordinate the operation of the railway and the activities of the Port of Beira until the transfer has been completed. Pending further negotiations, present services will be continued under existing arrangements. Although neither the railway nor the port facilities are presently capable of handling available export tonnages, the projected improvements in the line and the port may be delayed until the purchase agreement is implemented next spring. [redacted] 50X1
11. The establishment of separate ministries for railroads and communications in Yugoslavia reflects official concern over the critical condition of transport, particularly rail. The railroads have attracted public attention recently, due to drastic curtailments in passenger and freight service. The new organization, under which the railroads are separated from the other means of communication (air, rivers, and highways), will facilitate administrative control of the most important form of transport in the Yugoslav economy. [redacted] 50X1
12. Action proposed by the US and UK to merge the rail systems of the Bizone and the French Zone in Germany has been deferred, due to French opposition. Bizonal Transport Group representatives found the French agreeable to surrendering operational control of the French Zone's railroads to the Bizonal German Reichsbahn. They were unwilling, however, to relinquish financial and general economic control of the lines. [redacted] 50X1

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13. Resolution of the long-standing controversy between France and the Bizonal administration in Germany over the exchange of freight cars will probably be precipitated by the imminence of the January assembly of the Inter-Allied Reparations Administration (IARA). Unless negotiations are resumed before the assembly convenes, the French have threatened to raise the issue for debate, and a decision in France's favor is likely. The French contend that the German cars in France on V-E day were German external assets and therefore are now French property. If this position is confirmed by IARA, the French could submit a claim to Bizonia for back rental, which might amount to \$40,000,000, on French cars which have been circulating in Germany since the end of hostilities.

Confident in the strength of their position, therefore, and believing that the US is reluctant to risk an IARA decision, the French are pressing for a solution under which the July exchange agreement would be carried out and France would gain clear title to German cars then remaining in France. A portion of these cars would be exchanged in an agreed ratio for new cars now earmarked by ECA for Germany. Such a diversion of ECA support from Germany to France has been a major objective of France throughout the controversy. France will also undoubtedly insist that the arrangements governing the diversion of the new ECA cars may not involve a debit to her eventual reparations claims against Germany.

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